

## CHAPTER 4

### GLOBAL GOVERNANCE

“Isn't it ironic that Sierra Leone is the poorest country in the world, while it as a rich set of natural resources and minerals, including diamonds, which have caused entire countries and corporations to get involved to fight over them?<sup>1</sup>”

It is not until recently that the issue of conflict diamonds has gained serious considerations from the international arena. Since the jewelry industry became more internationalized, as mentioned in previous chapters, attempts from a single country alone would not be able to make very much different in the effort to combat the problem of conflict diamonds. For this reason, this chapter will firstly look into the concept of global governance and it will follow by analyzing the role of DeBeers since it is acting as a governing body in the industry. The chapter will also touch upon the example of Botswana, a country that is praised for its success in managing its

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<sup>1</sup>Anup Shah, “Sierra Leone,” Global Issues, <http://www.globalissues.org/Geopolitics/Africa/SierraLeone.asp>.

diamond industry sector through the cooperation of DeBeers and the government of Botswana.

Since this chapter focuses on the topic of global governance, it should be said that the idea of global governance came into existence during the time where the concept of self-reliance shifted to the idea of interdependent and collective agreement. The population growth has actually increased the needs of the people and in order to cater to such demands would require a collective management for the benefit of everyone. In the compressed world where connections are strengthened, global governance is defined as the formal and informal institutions or mechanisms which based on the idea of collective interests. It simply refers to the consensus with a common objective to address a specific problem or concern as well as the will to protect the interest of its members. Despite everything, there is no doubt that the process of globalization does not cover every country or even continents since some of them are still left behind. Anyhow, it requires the participations and the accountability from the majority of the public as well in order to make it effective. Due to the process of globalizations, it is impossible for a local government to ignore the outside influences which come in various forms such as mass media, finance, environmental, and so on<sup>2</sup>.

The Kimberly Process is a foreseeable outcome of global governance. As a result, the international community urgently recognized the need to stop the brutal activities after the civil war in Sierra Leone practically brought the spotlight to the

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<sup>2</sup> John Baylis and Steve Smith, *The Globalization of World Politics: An Introduction to International Relations*, 3<sup>rd</sup> ed. (New York: Oxford University Press, 2006).

issue of conflict diamonds which has been ongoing as a route for funding. Led by the United Nations, the governments, the diamond industry, and non-governmental organizations such as Global Witness, Amnesty International and Partnership Africa Canada, established an international system to prevent the flow of conflict diamonds from entering the legitimate diamond supply chain. In addition, they also aim to stabilize the situations in African countries altogether. This agreement is called the Kimberley Process, a name which was taken from a mine in South Africa where the first diamond rush took place.

It was not until November 2002 that 52 governments all over the world ratified and adopted the Kimberley Process Certification System, which was fully implemented in August of 2003. The process requires participation from governments in order to be certain that each shipment of rough diamonds would be exported or imported in a secure container, as well as accompanied by an identification numbers and a government-validated certificate stating that the diamonds are from sources which are free of conflict. The Kimberly certificate would also ensure the consumers that the diamonds which they are about to purchase are conflict-free. According to this process, diamonds can only be traded among the member countries in order to make sure that illicit diamonds are not allowed to enter the supply chain of conflict-free diamonds. This process is taken seriously and any country which does not obey the rules can be sanctioned by the international community. In case of problems or disputes, it should be settled at the intergovernmental level.

Nowadays, 71 governments, together with the diamond industry and non-governmental organizations are committed to this process. By January 2002, the civil

war was over and Sierra Leone became a democratic country. After the war, the country received a lot of technical assistance from the industry and it was setting up the Government Diamond Office by the Ministry of Mines. This was necessary in order to receive an opportunity to be a member of the Kimberley Process. In 2003, Sierra Leone joined the Kimberley Process after the sanctions against it was lifted since the country is no longer a threat to international peace and security. While Sierra Leone is now at peace but diamonds still remain as a crucial part of their economy. “Sierra Leone continues to be a participant of the Kimberley Process and exported approximately \$142 million worth of diamonds, approximately 3% of the world's diamonds in 2005. Revenues from diamond exports are making a positive contribution to the rebuilding of its infrastructure, health services and education systems.”<sup>3</sup>

After their civil wars, the Democratic Republic of Congo and Angola are also participants of the Kimberley Process and currently produces approximately 16% of the world's diamonds<sup>4</sup>. As for Liberia, they are in the process of applying for a member status after the sanction against them was lifted on April 27, 2007. Liberia is taking a slow but stable step back on the path of diamond mining again to make sure that the revenue from the diamond industry would not go toward prohibited activities like in the past. By joining the Kimberly Process, the member countries are closely monitored through out each step. “In 2004, the Chair of the Kimberley Process announced that considerably less than 1% of diamonds are conflict diamonds, reduced

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<sup>3</sup> World Diamond Council, “What are conflict diamonds?”  
<http://www.diamondfacts.org/conflict/background.html>.

<sup>4</sup> Ibid.

from approximately 4% before the establishment of the Kimberley Process.<sup>5</sup>” Despite the improvements as a result of the introduction of the Kimberly process and the end of the civil wars in Africa, the problem of diamond trafficking to avoid taxes still remains. In addition, there is also no institution that has the control of the total supply of diamonds worldwide. For this reason, these numbers which were presented by DeBeers are questionable because they are only looking after the majority of the rough diamonds but not all of the global stockpiles.

As the biggest actor in the jewelry industry who governs the majority of diamonds through their hands, De Beers is also very well aware of the issue of conflict diamonds and recognizes the need for a system to prevent conflict diamonds from mixing with the diamonds in the supply chain. Despite everything, DeBeers support and try to carry out the Kimberly Process. As stated in the principles of De Beers that “we will also work meticulously through the Kimberley Process, the industry's ‘system of warranties’, our Principles to ensure conflict diamonds are eliminated from world diamond flows.<sup>6</sup>” For DeBeers, they adapt to the Kimberly Process in order to keeps records of the movement of the diamonds before entering the consumer market. Whether buying or selling, De Beers takes a more direct approach by instructing the sightholders to include a statement on the invoice, ensuring that the diamonds, whether they are rough or polished, are free from conflicts of any sort. De Beers also requires both the sellers and the buyers to keep the records of the route of the diamonds including the Kimberly warranties. On the other

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<sup>5</sup> Ibid.

<sup>6</sup> De Beers, “Purposes, Visions, Values, and Principles,” <http://www.debeersgroup.com/debeersweb/About+De+Beers/De+Beers+Value+and+Culture/Purpose+vision+and+values.htm>.

hand, many question the practice of DeBeers, whether it is just a part of a stage play in order to purify the image of the industry. A lot of people also criticize DeBeers that they should have recognized the problems long ago since DeBeers is extremely familiarized with the diamond industry.

Regardless of the issue of conflict diamonds, Africa, Botswana, and Namibia are blessed with diamonds but these demandable resources do not actually save them from poverty and hunger. DeBeers takes this opportunity to show their concerns towards the international community. The support of DeBeers is needed in this case because diamonds are very hard to regulate. But with the lending hands of De Beers through its program such as the Kimberly process, diamonds became more profitable to the countries. The partnership in the diamond sector between the government of Botswana and DeBeers is called Debswana. "In Botswana, where about 65% of our diamonds are recovered, diamond revenues have been clearly directed by the government to achieve the goal of broad based development. The government has capitalized on diamonds to develop the country's health and education systems to be among Africa's best.<sup>7</sup>" Botswana is one of the richest countries in the region now since they make the best of their resources even though the country is landlocked.<sup>8</sup> "Botswana's current exports are dominated by diamonds which over 2005 accounted for 72% of the total Pula 23.6bn revenue.<sup>9</sup>" Though the

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<sup>7</sup> De Beers, "Diamonds and Developments," <http://www.debeersgroup.com/debeersweb/Investing+in+the+Future/Economics/Diamonds+and+development.htm>.

<sup>8</sup> "Africa's Prize Democracy," *Economist* 373, issue 8400 (June 11, 2004): 50-50, 2/3p, 1c, <http://web.ebscohost.com/ehost/detail?vid=6&hid=3&sid=871353b5-f1ca-4dbf-90cc-8d64247aa240%40sessionmgr8>.

<sup>9</sup> "Botswana: Economic Review." *Africa Research Bulletin* (September 16<sup>th</sup> – October 15<sup>th</sup> 2006).

revenues are mainly based by the export of rough stone, the government of Botswana is considering the diamond cutting process within their country to create the value added stone as well as generate jobs among the people. In addition, they also have good institutions and stable economic policies when comparing to other African countries.

Apart from that, DeBeers also wants to assist Africa through the problems of HIV, economic deprivation, and education developments. However, some people still question the motives of this good will. “Successful implementation of this promotion would make De Beers a very important player in the much-vaunted African Renaissance and possibly wipe away some of its past sins.”<sup>10</sup>

Meanwhile, the act of full disclosure is another practice that is publicized and advised frequently by DeBeers. Full disclosure is basically “the complete and total release of material information about a diamond or other stone and the material steps it has undergone prior to sale to the purchaser. Full disclosure of all material facts must take place whether or not the information is specifically requested and regardless of the effect on the value of the diamond.”<sup>11</sup> This concept is very important in this industry because it is extremely hard to differentiate the color, the clarity, and the cutting for untrained consumers. Since diamonds are costly, a little misunderstanding when buying would cost a lot of money. For this reason, De Beers introduces and emphasizes the act of full disclosure in order to help inexperienced

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<sup>10</sup> Ron Irwin, “De Beers in Need of a Polish,” *BrandChannel*, [http://www.brandchannel.com/features\\_effect.asp?pf\\_id=34](http://www.brandchannel.com/features_effect.asp?pf_id=34).

<sup>11</sup> Ibid.

consumers worldwide against malpractices. Whether the act of full disclosure is really taken seriously is another question.

Regardless of the fact that the states can not really take any action in the effort to confront the problem of conflict diamonds or diamond trafficking, whether because they are scared that the additional regulations would drive the investors away or whether they would be pressured by the powerful lobbyist groups, strong measures should be practiced internationally for the betterment of everyone. Whether it is because of the lack of interest or limited knowledge in considering the issue, it is important to educate everyone, especially those who are the participants of the jewelry trade, because collective participants are crucial in the process of global governance. Serious implementations of laws and regulations would benefit the states by adding revenues from taxation as well as the ability to regulate the market, improve the economy and society. As in the case of Botswana, revenues from diamonds help children to have the opportunity to pursue free education and help people with HIV/AIDS in southern Africa. In addition, it would benefit the consumers so that there would be no price fluctuations and have transparency as needed. Most importantly, it would benefit the marginalized people who are affected, through being killed or amputated, as a result of the search for the stones.

Though DeBeers stated that the percentages of conflict diamonds have decreased, the actual activities in the trade do not prove as such. Not a lot of jewelers or diamond traders actually know about the Kimberly Process and even though some actually do know, only price and quality matters when negotiating for the stones. “Six years after the blood diamond issue came to international attention, the industry has



failed to change its practices. International diamond trade bodies have issued countless press releases and statements claiming that the problem has been solved, but have provided little information on what they have actually done to fix it and fulfill their promises.<sup>12</sup>” The diamond industry as well as the governments failed to implements the rules into actions and the rules are quite meaningless since there is no measure for punishment that is applicable to all. “Lack of strong action on the part of governments and industry has allowed diamonds to be used to fund terrorism and conflict, to launder dirty money, and to fuel corruption in some of the world's poorest countries.<sup>13</sup>” On the other hand, corruption seems to be working wonders in this business, making it very hard to progress.

Upon this basis, the governments and the diamond traders should cooperate in order to establish an institution that would seriously regulate the global supply of diamonds. As hard as it may seem, this institution has to work together with the international non-governmental institutions as well as the diamond industry to create rules and regulations, despite the conflict of interests. The institution should also have the power to punish the rule breakers in order to maintain its authority. The international consumers should also be provided with information regarding the topic of conflict diamonds and diamond smugglings because at the end, they have the most power to keep this business going.

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<sup>12</sup> Global Witness, “Combating Conflict Diamonds,” [http://www.globalwitness.org/pages/en/the\\_diamond\\_industry.html](http://www.globalwitness.org/pages/en/the_diamond_industry.html).

<sup>13</sup> Global Witness.

